

Message Text

LIMITED OFFICIAL USE

PAGE 01 TEHRAN 03423 01 OF 02 200514Z

ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-01 PA-01 PRS-01 /084 W

-----200519Z 020078 /15

R 200414Z APR 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2151

LIMITED OFFICIAL USE SECTION 1 OF 2 TEHRAN 3423

E.O. 11652: N/A

TAGS: EFIN IR

SUBJ: IRAN'S BALANCE OF PAYMENTS AND OFFICIAL RESERVES

REF (A) TEHRAN A-60 (B) TEHRAN A-61

1. REFERENT AIRGRAMS, DATED APRIL 21, REPORT RESPECTIVELY IRAN'S GOLD AND FOREIGN EXCHANGE RESERVES AND BALANCE OF PAYMENTS THROUGH FEBRUARY 19, 1977, THE ELEVENTH MONTH OF IRANIAN YEAR 2535. THIS MESSAGE REPORTS HIGHLIGHTS OF THESE DATA AND GLOBAL ESTIMATES FOR THE END OF 2535 (MARCH 20) AND DISCUSSES THE CENTRAL BANK OF IRAN'S (CBI) RESPONSE TO RIAL DEVALUATION RUMORS.

2. THE FOREIGN EXCHANGE RATES OF THE RIAL HAVE BEEN SUBJECT TO RUMOR VIRTUALLY SINCE THE FLOATING RATE WAS ADOPTED IN EARLY 1975. IT IS GENERALLY ACCEPTED THAT THE CBI HAS ABANDONED ITS OWN FORMULA FOR EXCHANGE RATE ADJUSTMENT, A JUDGMENT SUPPORTED BY THE FACT THAT RATES ARE UNCHANGED SINCE JUNE 3, 1976. IN MAY 1976 TEHRAN'S FINANCIAL COMMUNITY WAS RIFE WITH RUMORS THAT THE RIAL WOULD BE DEVALUED TO 75 TO THE DOLLAR.

DURING THE IRANIAN NEW YEAR'S HOLIDAY (THIRD WEEK OF MARCH), WHEN ALL BANKS ARE CLOSED FOR A FULL WEEK, IT IS CUSTOMARY FOR THE "GREY MARKET" EXCHANGE DEALERS TO EXPLOIT THEIR ONE

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TEHRAN 03423 01 OF 02 200514Z

WEEK MONOPOLY AND THE RIAL THUS DEPRECIATES. THIS YEAR, THE DOLLAR RATE SOARED INTO THE UPPER 70'S COMPARED TO THE OFFICIAL BUYING RATE OF 70.5 TO THE DOLLAR. WITHIN THE CONTEXT OF FOREIGN EXCHANGE UNCERTAINTIES, FUELED IN GREAT PART BY THE GOI'S PROPAGANDA CONCERNING THE EFFECTS OF THE TWO-TIER OIL PRICE SYSTEM, THE FINANCIAL AND BUSINESS COMMUNITY BECAME OBSESSED WITH THE POSSIBILITY OF A RIAL DEVALUATION. THE

CBI DENIED ANY INTENTION TO DEVALUE AND PROVIDED TO SERIOUS INQUIRERS ALL THE REASONS WHY A DEVALUATION WAS NOT NECESSARY OR WISE. DE FACTO EXCHANGE CONTROLS, (I.E. THE PRACTICE OF ASKING THOSE WISHING TO TRANSFER LARGE NON-COMMERCIAL AMOUNTS TO PHASE THE TRANSFER OVER A PERIOD OF DAYS OR WEEKS) WERE REMOVED IN ORDER TO BUILD CONFIDENCE. BUT WHEN AN ARTICLE IN THE FARSI EDITION OF THE NEWSPAPER, "KAYHAN", ATTRIBUTED TO THE CBI AN ADMISSION OF INTERVENTION IN THE MARKET TO SUPPORT THE RIAL, CBI GOVERNOR MEHRAN ANNOUNCED ON RADIO APRIL 19 THAT THE RIAL WAS MOST STRONG, FOREIGN EXCHANGE RESERVES ON MARCH 20 (END-2535) WERE \$9.4 BILLION (I.E. CBI'S RESERVES AND A RECORD) AND THAT WERE IT NOT FOR A DESIRE TO PROMOTE IRAN'S NON-OIL EXPORTS A CASE EXISTED FOR REVALUATION OF THE RIAL. THIS DEFENSIVE (OR OFFENSIVE) ACTION WAS ANTICIPATED AND WHEN COMBINED WITH THE ABSOLUTELY FREE FOREIGN EXCHANGE MARKET SHOULD PUT TO REST RUMORS OF DEVALUATION FOR THE TIME BEING.

3. IT IS STILL TOO EARLY TO OBTAIN PRELIMINARY CBI BALANCE OF PAYMENTS DATA FOR THE YEAR (2535) WHICH ENDED MARCH 20, BUT THE AFOREMENTIONED FOREIGN EXCHANGE RESERVE FIGURE BY GOVERNOR MEHRAN, DATA JUST RECEIVED FOR 11 MONTHS (FEBRUARY 19) AND "BALL PARK" FIGURES PROVIDED BY CBI VICE GOVERNOR HOMAYOUN TO EMBOFF ALL POINT TO FISCAL YEAR'S EXTERNAL ACCOUNT SURPLUSES FOR EXCEEDING EXPECTATIONS. WHILE THE IMPORT PAYMENTS FUNCTION HAD BEEN VIRTUALLY FLAT, IT WAS ANTICIPATED THAT THE SEASONAL FACTOR OF END-YEAR INCREASE IN PAYMENTS WOULD OCCUR AND DRAW DOWN RESRVES BY AT LEAST \$1 BILLION. BUT BOTH PRIVATE AND PUBLIC IMPORT PAYMENTS WERE LOW AND WITH AN ANTICIPATED ABSENCE OF FOREIGN LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 TEHRAN 03423 01 OF 02 200514Z

ASSISTANCE OUTFLOWS (LAST YEAR \$700 MILLION IN ASSISTANCE WAS DISBURSED IN THE 12TH MONTH), CBI RESERVES INCREASED FROM \$8131.8 MITTION ON JANUARY 20 TO \$9106.4 MILLION ON FEBRUARY 19(REF A) AND, PER MEHRAN, REACHED \$9.4 BILLION ON MARCH 20, A RECORD LEVEL. ASSUMING A NET LIABILITY POSITION OF THE COMMERCIAL BANKS OF ABOUT \$2.3 BILLION, THE COUNTRY'S NET FOREIGN EXCHANGE POSITION MARCH 20 SHOULD BE \$7.1 BILLION. BALANCE OF PAYMENTS DATA FOR THE TENTH AND ELEVENTH MONTHS (REF B), JUST MADE AVAILABLE, REVEAL A SIGNIFICANT STRENGTHENING OF ACCOUNTS AND BUILDING OF THE BASIC SURPLUS, WHICH AT 1.5 BILLION ON FEBRUARY 19 WAS SAID BY CBI'S HOMAYOUN TO BE SOMEWHAT OVER \$2 BILLION FOR THE YEAR; THE CURRENT ACCOUNT

LIMITED OFFICIAL USE

NNN

LIMITED OFFICIAL USE

PAGE 01 TEHRAN 03423 02 OF 02 200518Z

ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00

FRB-03 INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02

OPIC-03 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15

STR-04 CEA-01 L-03 H-01 PA-01 PRS-01 /084 W

-----200520Z 020107 /15

R 200414Z APR 77

FM AMEMBASSY TEHRAN

TO SECSTATE WASHDC 2152

LIMITED OFFICIAL USE SECTION 2 OF 2 TEHRAN 3423

BALANCE SHOULD BE CLOSE TO \$4 BILLION. THESE FIGURES ARE IN SHARP CONTRAST TO OFFICIAL PREDICTIONS AS LATE AS FEBRUARY 20, WHEN PRIME MINISTER HOVEYDA (TEHRAN 1657) PREDICTED FOR 2535 A CURRENT ACCOUNT SURPLUS OF \$2.5 BILLION, RESERVES OF \$7.8 BILLION AND AN OVERALL BALANCE OF PAYMENTS OF SURPLUS OF \$500 MILLION.

4. SUMMARY. SELECTED DATA FROM THE BALANCE OF PAYMENTS PRESENTATION (REF B) FOR 11 MONTHS (MARCH 20 TO FEBRUARY 19) ARE IN MILLIONS OF DOLLARS FOR YEARS 2534 AND 2535 WITH PERCENT MOVEMENT ARE:

	2534	2535	PERCENT CHANGE
CURRENT ACCOUNT RECEIPTS	20,282.5	22,264.7	9.8
(OIL SECTOR	17,741.1	18,948.0	6.8
(SERVICES	1,955.2	2,728.9	39.6
CURRENT ACCOUNT PAYMENTS	17,122.6	18,876.9	10.2
(IMPORTS	13,821.3	13,711.0	-0.8
(SERVICES	3,202.5	4,940.8	54.3
NET CURRENT	3,159.9	3,387.8	
CAPITAL ACCOUNT RECEIPTS	757.1	1,172.2	54.8
(PUBLIC	295.1	310.3	5.2

LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 TEHRAN 03423 02 OF 02 200518Z

(PRIVATE	462.0	368.1	-20.3
CAPITAL ACCOUNT OUTFLOWS	3,984.9	2,559.8	-35.8
(OFFICIAL INVESTMENT,			
CREDITS	2,535.6	1,758.1	-30.7
NET CAPITAL	-3,227.8	-1,387.6	
BASIC BALANCE	-423.3	1,533.7	

NOTE: THE CURRENT ACCOUNT "SERVICE" PAYMENTS FOR 2535 ARE NOT REFINED. WHEN DONE, OVEER \$1 BILLION WILL BE NETTED FROM PRIVATE SECTOR PAYMENTS AND ALLOCATED ABOUT EVENLY TO IMPORTS AND "OTHER CAPITAL OUTFLOW". THE OFFICIAL CAPITAL INFLOW OF \$310 MILLION DOES NOT REFLECT AN INITIAL END-YEAR DRAWDOWN AGAINST THE GOI'S \$500 MILLION EXTERNAL BORROWING, SAID TO BE \$125 MILLION.
MIKLOS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, BALANCE OF PAYMENTS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Apr-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977TEHRAN03423
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D770136-0669
Format: TEL
From: TEHRAN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t19770436/aaaabfbg.tel
Line Count: 179
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 7c02b1a1-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 77 TEHRAN A-60, 77 TEHRAN A-61
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 17-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2744104
Secure: OPEN
Status: NATIVE
Subject: IRAN'S BALANCE OF PAYMENTS AND OFFICIAL RESERVES
TAGS: EFIN, ECON, IR
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/7c02b1a1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009